

CIMB Group announces RM2,312 million Profit Before Tax for 1HFY16

29 August 2016

for immediate release

- 3.9% Y-o-Y improvement in 1H16 PBT underpinned by a 241.2% Y-o-Y improvement in Indonesia and sustained cost management initiatives. Lower provisions in Indonesia improved 1H16 loan loss charge slightly to 71bps
- Consumer Banking's PBT increased by 35.8% Y-o-Y and 14% Q-o-Q due to regional loan growth coupled with lower overhead costs and provisions
- 1H16 loan growth was 6.6% Y-o-Y driven by Consumer Banking. Deposits grew 7.1% driven by a 7.8% expansion in CASA
- Operating expenses were 0.7% and 2.2% lower Y-o-Y and Q-o-Q respectively. 2Q16 Cost-to-Income ratio stood at 53.6%
- Annualised ROE is 8.1% and our capital position strengthened with CET1 at 10.7% as of 30 June 2016
- 1H16 operating income grew 1.5% Y-o-Y and 4.8% Q-o-Q from improved Net Interest Income and loans growth. Capital market-driven Non Interest Income recovered in 2Q16

1) Summary

CIMB Group Holdings Berhad ("CIMB Group" or the "Group") today reported a Profit Before Tax ("PBT") of RM2,312 million for the first half of 2016 ("1H16"). On a year-on-year (Y-o-Y) basis, the Net Profit of RM1,687 million improved 1.7% compared to the Business As Usual ("BAU") 1H15 Net Profit of RM1,659 million. The 1H16 net earnings per share ("EPS") stood at 19.6 sen, while the annualised 1H16 net return on average equity ("ROE") was 8.1%. The Group declared a first interim net dividend of 8.00 sen per share to be paid via cash or an optional Dividend Reinvestment Scheme ("DRS"). The total interim dividend amounts to a net payment of RM698 million, translating to a dividend payout ratio of 41.4% of 1H16 profits. The Group had announced a special interim dividend-in-specie equivalent to 2.00 sen per share involving the distribution of CIMB Niaga B Shares to CIMB Group shareholders on a ratio of 1 CIMB Niaga share for approximately every 6.39 CIMB Group shares.

"Our Consumer and Wholesale Banking divisions continue to perform well, especially with improved capital market activity in 2Q. Strict cost controls resulted in a 0.7% Y-o-Y decline in operating costs and coupled with the improved revenues, our 1H16 net profit was 1.7% better Y-o-Y. Our CET1 capital ratio strengthened to 10.7% and is on-track toward our year-end target of 11%. We have also proposed a 40% dividend payout of 8 sen per share for the first half of this year. Given the macroeconomic conditions, we are pleased with our 1H16 performance," said Tengku Dato' Sri Zafrul Aziz, Group Chief Executive, CIMB Group.

2) CIMB Group 1H16 Y-o-Y Results

For comparative purposes, the corresponding 1H15 numbers are based on BAU basis. CIMB Group's 1H16 operating income grew 1.5% Y-o-Y to RM7,628 million underpinned by a 6.5% improvement in net interest income but partially offset by a 9.1% decline in non-interest income, which was impacted by the weaker capital market, particularly in 1Q16. Operating expenses declined 0.7% Y-o-Y but was 4.3% lower after excluding foreign currency translation effects, a reflection of the Group's stricter cost controls. This brought about the 4.5% improvement in the Group's Pre-Provisioning Operating Profit ("PPOP"). The Group's PBT was 3.9% higher at RM2,312 million, with loan provisions 1.1% lower Y-o-Y.

The Group's regional Consumer Bank PBT increased by 35.8% Y-o-Y in 1H16 to RM1,192 million, making up 52% of Group PBT. The better performance was fuelled by the regional consumer loans growth, lower overhead costs and lower provisions. The regional Commercial Banking PBT was 16.7% lower Y-o-Y at RM230 million largely attributed to higher provisions in Thailand, Indonesia and Singapore. The Group's Regional Wholesale Banking PBT improved by 6.2% Y-o-Y to RM859 million underpinned by a recovery in Treasury & Markets, with Corporate Banking and Investment Banking staying weak. Group Asset Management and Investments ("GAMI")'s PBT expanded 8.3% Y-o-Y due to higher contributions from investments, while Group Funding PBT was 186.2% lower Y-o-Y from higher costs of funding and foreign exchange effects on investments.

PBT by Segments (RM 'mil)	1H16	1H15 BAU*	Y-o-Y
Consumer Banking	1,192	878	35.8%
Commercial Banking	230	276	(16.7%)
Wholesale Banking	859	809	6.2%
Corporate Banking	351	363	(3.3%)
Treasury & Markets	522	458	14.0%
Investment Banking	(14)	(12)	(16.7%)
GAMI	143	132	8.3%
Group Funding	(112)	130	(186.2%)

Notes: * Excluding : IB restructuring costs (RM202 mil) and MY MSS cost (RM316 mil)

Non-Malaysia PBT contribution to the Group increased to 25% in 1H16 compared to 23% in 1H15, largely attributed to the 241.2% Y-o-Y improvement in Indonesia's PBT to RM331 million in line with lower provisions at CIMB Niaga. Thailand's PBT contribution was 15.2% lower Y-o-Y at RM95 million owing to the increased loan provisions. Total PBT contribution from Singapore was 36.8% lower at RM132 million from increased commercial banking provisions.

The Group's total gross loans (excluding the bad bank) expanded 6.6% Y-o-Y or 3.9% excluding FX fluctuations. Total deposits grew 7.1% Y-o-Y or 4.6% excluding FX fluctuations. The Group's loan to deposit ("LDR") ratio stood at 93.5% compared to 94.0% in 1H15.

Gross Loans (RM 'bil)	Jun-16	Jun-15	Y-o-Y
Consumer Banking	151.5	138.2	9.6%
Commercial Banking	39.4	38.4	2.6%
Wholesale Banking	104.0	100.0	4.0%
Total *	294.9	276.6	6.6%

By Geography	Y-o-Y
Malaysia	7.7%
Indonesia ^	(1.6%)
Thailand ^	3.0%
Singapore ^	(4.0%)
Others**	5.6%
Group ^^	3.9%

Deposits (RM 'bil)	Jun-16	Jun-15	Y-o-Y
Consumer Banking	139.4	124.2	12.2%
Commercial Banking	43.4	40.2	8.0%
Wholesale Banking	135.6	132.9	2.0%
Total	318.4	297.3	7.1%

By Geography	Y-o-Y
Malaysia	6.9%
Indonesia ^	(3.6%)
Thailand ^	(5.7%)
Singapore ^	19.2%
Others **	(8.2%)
Group ^^	4.6%

Notes:

* Gross loans excludes bad bank

^ In local currency

** Including Labuan, London, Cambodia, Hong Kong & Shanghai

^^ Excluding FX fluctuations

The Group's gross impairment ratio reduced to 3.2% as at June 2016 from 3.3% in June 2015, with a higher allowance coverage of 83.5% as at June 2016. The Group's cost to income ratio improved to 55.4% compared with 56.7% in 1H15, with the Group's cost management initiatives continuing to show results. The Group's Net Interest Margins ("NIM") were marginally lower at 2.63% driven mainly by the higher cost of deposits in Malaysia.

Key Operating Ratios (%)	1H16	1H15 BAU^
Loan to Deposit (LDR)	93.5	94.0
Gross Impaired Loans Ratio	3.2	3.3
Allowance Coverage	83.5	77.9
Cost to Income	55.4	56.7
NIM ~**	2.63	2.64

Notes: ** Daily Average

~ Annualised

^ Excluding : IB restructuring costs (RM202 mil), MY MSS cost (RM316 mil) and tax on MSS cost (RM79 mil)

As at 30 June 2016, CIMB Group's total capital ratio stood at 15.6% while the Common Equity Tier 1 ("CET1") capital ratio strengthened to 10.7%.



3) CIMB Group 2Q16 Q-o-Q Performance

On a Q-o-Q basis, 2Q16 operating income was 4.8% higher at RM3,903 million with non-interest income increasing by 19.0%, offset by a 0.4% decline in net interest income. The Consumer Banking PBT posted a 14.0% Q-o-Q growth on the back of revenue expansion and lower expenses. Commercial Banking PBT was 42.5% lower due to increased provisions during the quarter, while the 10.5% Q-o-Q increase in Wholesale Banking PBT was attributed to the improved capital market activity and gross loans growth in 2Q16. The 2Q16 net profit was 7.2% higher Q-o-Q at RM873 million attributed to the higher non-interest income and lower operating costs, partially offset by an uptick in provisions.

PBT by Segments (RM 'mil)	2Q16	1Q16	2Q15 BAU*	Q-o-Q	Y-o-Y
Consumer Banking	635	557	467	14.0%	36.0%
Commercial Banking	84	146	90	(42.5%)	(6.7%)
Wholesale Banking	451	408	482	10.5%	(6.4%)
Corporate Banking	171	180	260	(5.0%)	(34.2%)
Treasury & Markets	270	252	243	7.1%	11.1%
Investment Banking	10	(24)	(21)	141.7%	(147.6%)
GAMI	62	81	77	(23.5%)	(19.5%)
Group Funding	(43)	(69)	83	37.7%	(151.8%)

Notes: * Excluding: 2Q15 MY MSS cost (RM316 mil)

4) CIMB Islamic Bhd

CIMB Islamic's 1H16 Y-o-Y PBT increased by 43.0% to RM368 million from improved performance in the Consumer segments. CIMB Islamic's gross financing assets increased by 10.3% Y-o-Y to RM42.7 billion, accounting for 14.3% of total Group loans. Total deposits increased by 6.9% Y-o-Y to RM46.5 billion.

5) Key Organisation Changes

On 4 January 2016, Mohamed Rafe bin Mohamed Haneef was appointed as CEO, Group Islamic Banking and CEO/ED of CIMB Islamic Bank. On 20 January 2016, Tengku Dato' Sri Zafrul Aziz was appointed as CEO of CIMB Bank Berhad. On 1 March 2016, Dato' Kong Sooi Lin was appointed as CEO of CIMB Investment Bank Berhad. On 1 April 2016, Mak Lye Mun was appointed as CEO, Group Wholesale Banking. On 1 July 2016, Samir Gupta was appointed as CEO, Group Regional Consumer Banking.

6) Outlook

“We are cautious on balance sheet growth, given the continued volatility and uncertainty in the external economic environment. Internally, our T18 projects on improving risk management, asset quality and cost management are showing encouraging results, part of which are already reflected in our financial numbers. We remain upbeat on CIMB Niaga’s performance although the local operating environment may continue to be challenging. CIMB Malaysia and CIMB Singapore’s performance is expected to be subdued in line with the slower economic environment in both countries. CIMB Thai will continue to focus on asset quality and operational reorganisation.”

“Moving forward, the Group will continue to optimise on risk-adjusted returns within selected growth segments and press ahead with various T18 initiatives. Recently, the Group has also increased its emphasis on compliance and governance. While we expect a better performance in 2H16, our loan growth and ROE expectations will likely be below our original 2016 target. However, all other targets like capital, cost and dividend payout remain on track. We feel confident that our T18 initiatives, with clear measures and benchmarks, will keep us focused on strengthening the Group’s position and enhancing its resilience not only for the medium but also longer term,” said Tengku Zafrul.

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APPENDIX

Significant Corporate Developments in 2016

1) Capital Management

- On 21 April 2016, CIMB Islamic Bank redeemed its RM250 million Basel II Tier-2 Junior Sukuk.
- On 25 April 2016, CIMB Group issued and allotted 201,588,194 new ordinary shares of RM1 each in new CIMB Group shares pursuant to the DRS arising from the Second Interim Dividend announcement for FY15. The new shares were listed and quoted on the Main Market of Bursa Securities on 26 April 2016.
- On 25 May 2016, CIMB Group issued RM1.0 billion Basel III-compliant Additional Tier 1 Capital Securities rated A₁/Stable by RAM. The proceeds were used to subscribe for RM1.0 billion Basel III-compliant Additional Tier 1 Capital Securities issued by CIMB Bank.
- On 15 June 2016, CIMB Group announced a proposed special interim dividend-in-specie involving the distribution of 1,366,988,057 existing CIMB Niaga B Shares to CIMB Group shareholders on a ratio of 1 CIMB Niaga share for approximately every 6.39 CIMB Group shares. On 27 July 2016, CIMB Group announced a proposed monetisation option which provides entitled shareholders the option to receive cash instead of the Dividend shares.
- On 11 July 2016, CIMB Thai issued RM570 million Basel III-compliant Tier 2 Subordinated Debt. The proceeds were used for CIMB Thai's working capital, general banking and other corporate purposes, and the refinancing of its existing subordinated debt.
- On 8 August 2016, CIMB Bank Berhad redeemed its RM1,350 million Basel II-compliant Tier 2 Subordinated Debt.
- On 8 August 2016, CIMB Bank Berhad issued RM1,350 million Basel III-compliant Tier 2 Subordinated Debt rated AA₂/Stable by RAM. The proceeds were used for CIMB Bank Berhad's working capital requirements, general banking and other corporate purposes and the refinancing of its existing subordinated debt.

2) Mergers and Acquisitions

- On 23 March 2016, CIMB Group entered into an agreement to divest its 51% stake in PT CIMB Sun Life for a cash consideration of IDR550 billion (RM169 million) to Sun Life Assurance Company of Canada. The transaction was completed on 1 July 2016.

- On 28 July 2016, CIMB Group announced a strategic partnership with Fajr Capital, a leading private equity investor in the Middle East. Consequently, CIMB Middle East BSC (C), a wholly owned subsidiary of CIMB Group has sought Central Bank of Bahrain's approval to close its business.

3) Others

- On 4 January 2016, Mohamed Rafe bin Mohamed Haneef was appointed as CEO, Group Islamic Banking and CEO/ED of CIMB Islamic Bank. On 20 January 2016, Tengku Dato' Sri Zafrul Aziz was appointed as CEO of CIMB Bank Berhad. On 1 March 2016, Dato' Kong Sooi Lin was appointed as CEO of CIMB Investment Bank Berhad. On 1 April 2016, Mak Lye Mun was appointed as CEO, Group Wholesale Banking.
- On 5 January 2016, Moody's affirmed CIMB Niaga's long-term and short-term foreign currency deposits ratings at Baa3 and P-3 respectively. The outlook is stable.
- On 31 March 2016, Fitch Ratings affirmed CIMB Niaga's long-term and short-term issuer default ratings at BBB and F3 respectively, as well as long-term and short-term national ratings at AAA(idn) and F1+(idn) respectively. The outlook is stable.
- On 20 April 2016, RAM assigned an A1/Stable rating to CIMB Group Holdings' proposed Additional Tier-1 Capital Securities Programme of RM10.0 billion and reaffirmed CIMB Group Holdings' long-term and short-term corporate credit ratings at AA1 and P1 respectively. The outlook is stable.
- On 11 May 2016, RAM assigned an A1/ Stable rating to CIMB Bank's proposed Additional Tier-1 Capital Securities Programme of RM10.0 billion and reaffirmed CIMB Bank's long-term and short-term financial institution ratings of CIMB Bank at AAA and P1 respectively. The outlook is stable.
- On 3 June 2016, CIMB Group entered into a Master Distribution agreement with Sompo Japan Nipponkoa Holdings Inc. to establish a regional non-life bancassurance partnership in selected countries in Southeast Asia.
- On 8 June 2016, Moody's affirmed CIMB Thai's long-term and short-term foreign currency deposits ratings at Baa2 and P-2 respectively. The outlook is stable.
- On 16 June 2016, RAM affirmed CIMB Thai's CIMB Thai's long-term and short-term financial institution ratings at AA2 and P1 respectively. Also, RAM reaffirmed CIMB Thai's RM2.0 billion Basel III Compliant Tier 2 Subordinated Notes Programme at AA3. The outlook is stable.

- On 17 June 2016, RAM assigned a rating of AA2 to CIMB Bank's RM10 bil Tier-2 Subordinated Debt Programme (2013/2073), following amendments made to the terms of the issuances on or after 1 January 2016 which included non-viability event linked to CIMB Bank and to CIMB Group Holdings. The amendments were made due to regulatory capital requirements to financial holding companies such as CIMB Group Holdings. To date, there have been no issuances on or after 1 January 2016. The outlook is stable.
- On 4 July 2016, Moody's affirmed CIMB Bank's long term and short term foreign currency deposits ratings at A3 and P-2 respectively. The outlook is stable.
- On 4 July 2016, Moody's affirmed CIMB Group Holdings long-term and short-term issuer ratings at Baa1 and P-2 respectively. The outlook is stable.
- On 4 July 2016, Moody's affirmed CIMB Islamic Bank's long-term and short-term foreign currency ratings at A3 and P-2 respectively. The outlook is stable.
- On 4 July 2016, Moody's affirmed CIMB Niaga's long-term and short-term foreign currency ratings at Baa3 and P-3 respectively. The outlook is stable.
- On 5 July 2016, Moody's affirmed CIMB Investment Bank's long-term and short-term issuer ratings at A3 and P-2 respectively. The outlook is stable.
- On 2 August 2016, Fitch Ratings upgraded CIMB Thai's long-term national rating from AA-(tha) to AA(th) and reaffirmed the short-term national rating at F1+(tha). Also, CIMB Thai's long-term subordinated debt was upgraded from A+(tha) to AA-(tha). The outlook is stable.